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Attorneys for Defendant
XIAOBING SUN

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

SHORELINE CAPTIAL MANAGEMENT,
LTD., a British Virgin Islands Company
limited by shares,

Plaintiff,

vs.

XIAOBING SUN, an individual,
Defendant.

Case No. 5:08-cv-00121-JW

DECLARATION OF XIAOBING SUN
IN SUPPORT OF DEFENDANT'S
OPPOSITION TO PLAINTIFF'S
MOTION FOR PRELIMINARY
INJUNCTION

I, Xiaobing Sun, declare:

1. I have personal knowledge of the facts set forth herein, and if called as a witness would and could testify competently thereto.

2. Beginning in November 2006, Mr. Fanger recruited me from the Graduate School of Business at the University of Chicago. Promising partnership and a permanent position, Fanger guaranteed me a prominent place at Shoreline. Shoreline lacked an original asset pricing model in distressed debt. And before signing any confidentiality or any other agreement, Fanger disclosed to me what Shoreline now claims is its "Shoreline Pricing Model."

1 A. Attached as Exhibit A is a true and correct copy of an email I received from
2 Benjamin Fanger.

3 3. Shoreline and Fanger guaranteed me long-term employment, and convinced me to
4 abandon my degree program, and uproot my life to move back to China. Shoreline and Fanger
5 rushed me into signing an “offer letter.” Despite stating in the letter that I would first experience
6 a “trial period” at Shoreline, Mr. Fanger assured me that my employment was guaranteed.
7 Promising much greater pay in the future, Shoreline offered an initial salary of only about 10,000
8 RMB a month. I quit the University of Chicago and moved to China with the expectation of
9 permanent employment.

10 4. Shoreline is not what it represented itself to be to me. During the entire period of
11 my employment with Shoreline, from March 26, 2007 until my termination on July 17, 2007,
12 Shoreline was a consulting company, and not a “investment firm”. Shoreline lacked a single fund
13 investor since it had no fund to offer until the end of 2007, after I was terminated.

14 5. Rather than operating a fund, Shoreline was a subcontractor that conducted due
15 diligence for a single “client” CarVal Investors (“CarVal”). Since its inception in 2004, Shoreline
16 has helped its sole client source no more than 4 deals. This represents less than 0.1% of the
17 market. While Shoreline claims “Huarang” as its client, this is untrue. Huarang is a public entity,
18 and it is not a Shoreline “client.” In short, Shoreline had no investor clients and never purchased
19 any distressed debt before I left Shoreline.

20 6. There are countless players in the Chinese distressed debt market, including
21 innumerable financial firms and law firms that occupy exactly the same industry. These firms,
22 like Shoreline source their deals from *publicly-available* Chinese websites, including
23 <http://www.chamc.com.cn/>, <http://www.cinda.com.cn/>, <http://www.coamc.com.cn/>, and
24 <http://www.gwamcc.com/>.

25 7. Shoreline deceives its industry contacts in China, and its own employees. In its
26 business dealings in China (including on its business cards), Shoreline does not disclose that it
27 claims to be a British Virgin Islands-based company. Instead, it lists itself deceptively as a
28 United States company to gain creditability. Shoreline also hides from the public and its recruits

1 that it is in essence a family company. Shoreline hides the fact that two of its principals (and
2 declarants), Xiaolin Zhang and Linyu Yang, are married and co-habiting. Other key Shoreline
3 employees hide the fact that they are relatives of Shoreline's principals. Shoreline's finance and
4 accounting manager is Mr. Yang's sister, and she hides her true last name. In fact, five of
5 Shoreline's total ten permanent employees in its Guangzhou office are Mr. Yang's relatives.

6 8. There is no "Shoreline pricing model." Instead, Shoreline uses a spreadsheet that
7 was developed by other companies. This spreadsheet is not confidential. Shoreline disclosed it to
8 me before even requesting any confidentiality agreement from me and before I was employed by
9 Shoreline. I have not used Shoreline's pricing model to develop business since I left Shoreline.

10 9. The Excel spreadsheet that Shoreline presumably refers to as its Shoreline pricing
11 model was originally developed by Goldman Sachs and other institutions. This model was
12 refined or redeveloped by CarVal, and then it was shared with Shoreline. Thus, far from taking
13 "three and one-half years to develop" and "hundreds of thousands of dollars", Shoreline received
14 a ready-made pricing model from the entity for which it conducted due diligence.

15 10. The so-called Shoreline pricing model is driven by a plain vanilla discounted cash
16 flow (DCF) approach, which is found in any first-year finance textbook. Each of the portions of
17 the Spreadsheet including the "legal risk" portion is industry standard "common sense" for the
18 distressed debt industry.

19 11. Shoreline revealed the Spreadsheet to me on January 11, 2007. The Spreadsheet
20 was revealed before any confidentiality agreement was signed. Shoreline failed to refer to the
21 Spreadsheet as anything other than a "sheet", and certainly never referred to it as a confidential
22 Shoreline Pricing Model. I never received a copy of Shoreline's purported employee handbook.

23 12. In early July 2007, Shoreline's principles gave me a test, and told me that my
24 employment would be terminated if I could not pass it. I finished the test and sent it to three
25 Shoreline principles within the same week. One week later, Shoreline informed me that I failed
26 the test. At that time, Shoreline had already stopped paying me, and owed me for my entire June
27 salary. And Shoreline never paid me for any work after it terminated me on July 17.

28

1 13. I spoke with Feng Lin on or about January 22, 2008. He told me that the
2 statements attributed to him in the Zhang and Yang declarations are false. Mr. Lin stated that he
3 “never saw me keep Shoreline’s financial models, so-called #1233 portfolio loan documents (or
4 any other loan documents), Excel spreadsheets, pricing templates, file-reading reports, copies of
5 title papers related to the #1233 portfolio, Shoreline’s so-called “business secrets”, or due
6 diligence results of portfolios under Shoreline’s management in my laptop computer or
7 anywhere else.” He also denies that I “[ever] used Shoreline’s name to gain a meeting with
8 anyone at Huarong Asset Management Company.” And he “never stated that [he] believe[s]
9 that [I] breached any non-compete or confidentiality agreements with Shoreline.” But Mr. Lin
10 also refuses to sign a declaration stating these facts because Shoreline’s principals have
11 threatened him with “false rumors” and legal liability. (*Id.* ¶ .) Specifically, Xialolin Zhang and
12 Linyu Yang “threatened that if [Mr. Lin] did not cooperate with them in Shoreline’s litigation
13 against me, that [Lin] would be in legal trouble. They threatened to spread rumors, and falsely
14 tell [Lin’s] employer that [he] breached a contract with Shoreline and stole Shoreline’s trade
15 secrets, unless [Lin] cooperated with them. Messrs. Zhang and Yang also threatened to sue
16 [Lin] if [he] did not cooperate with Shoreline in pursuing its litigation.”

17 A. Attached as Exhibit B is a true and correct copy of declaration sent to Mr. Lin.
18 Mr. Lin told me that the statements in this declaration are accurate, but that he
19 is afraid to sign the declaration because of threats by Shoreline.

20 14. I am a naturalized citizen of the United States. I took what I believed to be a
21 permanent position with Shoreline in March 2007, and I have been living and working primarily
22 in China since then. My mother was diagnosed with cancer on April 5, 2007. I am my mother’s
23 only son, and I must stay in China indefinitely to care for her. I was purportedly served when I
24 was visiting my children in the United States, and to retrieve my son to take him back to China to
25 live. Prior to the filing of the present lawsuit, I established my new permanent address in China.
26 I no longer have a permanent address in the United States. My wife and my other child will join
27 me soon in China. I is in China now, and booked my return ticket to China before this lawsuit
28 was initiated. I plans to remain in China indefinitely, and I have no return ticket to the United

1 States. (X. Sun Decl. ¶ .)

2 A. Attached as Exhibit C is a true and correct copy of an email from my airline
3 showing that I booked my flight to China (with no return flight to the United
4 States) before this case was apparently initiated.

5 15. Shoreline has an office in Campbell, California.

6 16. All prospective customers are commonly known to the trade, and in fact both of
7 the WSIB's and Asia Alternatives' websites state that they are open to potential investments.
8 Asia Alternatives was never a Shoreline client during my tenure at Shoreline.

9 17. Every potential deal I identified in my Powerpoint was discovered through my
10 independent research. For instance:

- 11 • HuaRong AMC RMB 130mm OPB Portfolio due in September, 2007: Tmy deal
12 is available publicly at <http://www.chamc.com.cn/zcglpt/czxx/111938.shtml>.
- 13 • Communication Bank: Tmy deal was discovered through a friend of me's with no
14 connection with Shoreline.
- 15 • Orient AMC: Tmy deal was discovered through public sources and is available at
16 <http://www.coamc.com.cn/sales/Announce.aspx?AnnounceID=124>; see also
17 <http://www.coamc.com.cn/sales/Announce.aspx?AnnounceID=182>
- 18 • YueCai RMB: Tmy deal was discovered through public sources and is available at
19 http://www.gdyctz.com/assets_note.asp and it is also available at
20 <http://www.gdyctz.com/message2.asp?id=165>.

1 I declare under penalty of perjury that the foregoing is true and correct.
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3 Executed this 23rd day of January 2008, at ~~BEIJING~~, CHINA
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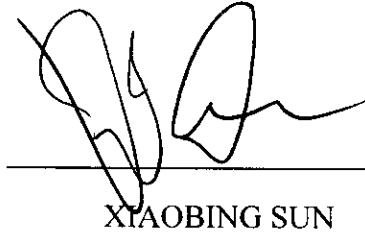
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EXHIBIT A

Charles Jung

From: bwfanger@gmail.com on behalf of Benjamin Fanger [bwfanger@shoreline-capital.com]
Sent: Thursday, January 11, 2007 3:07 PM
To: xiaobing_sun@yahoo.com
Subject: Shoreline DD
Attachments: SZ_001_Jinxuan Hotel_V3.xls

Dan,

Take a look at this sheet. This is one borrower in one of our portfolios. It will give you a good idea of what information we look for in due diligence, how we create a servicing (collection) strategy, etc.

Ben

From: Xiaobing Sun [mailto:xiaobing_sun@yahoo.com]
Sent: Thursday, January 11, 2007 8:03 AM
To: Benjamin Fanger
Subject: RE: RE: [Fisher.library] RE:

Thank you, Ben! I will call you around 9am of SF.

Benjamin Fanger <bwfanger@shoreline-capital.com> wrote:

Dan, thanks so much for your help. I saw you called, let's talk first thing in the morning. I'm in SF. Ben

-----Original Message-----

From: Xiaobing Sun
Subj: RE: RE: [Fisher.library] RE:
Date: Wed Jan 10, 2007 9:23 am
Size: 1K
To: Benjamin Fanger

Hi Ben:

Good news, under the help of the librarian in Gleacher, I download an excel file using your criteria. Attached please find the file. Also, I download a detailed profile for one of the firm. I thought it might help. If you want more or have question, please let me know.

All the best,

Dan

Benjamin Fanger wrote:

v\:* {behavior:url(#default#VML);} o\:* {behavior:url(#default#VML);} w\:* {behavior:url(#default#VML);} .shape {behavior:url(#default#VML);} st1\:* {behavior:url(#default#ieooui) } Thanks
Dan, that's very kind of you.

When you search on the Pratt's guide, I remember that you can go into a section that is specifically LPs.

Then I remember it had some selections where you could choose LPs that focus on certain kinds of investments. If you select "distressed debt" or "high-yield" that would be good. Another option is to select funds that are willing to do "first time funds" or whose geographic focus includes funds in Asia.

Also I remember the Pratt's guide info could be exported to Excel.

Anyway, don't worry if you don't find anything. I'm just grateful you've tried.

Best,

Ben

From: Xiaobing Sun [mailto:xiaobing_sun@yahoo.com]
Sent: Tuesday, January 09, 2007 6:56 PM
To: Benjamin Fanger
Subject: RE: RE: [Fisher.library] RE:

Hi Ben:

Regarding to your request of list of LP in distressed debt funds, I searched the

Thomson Research, and attach a file of what I found. (sorry the format is messy and hard to remove those blank spot and only allow name search). I will send a request to helpdesk to ask for access to Pratt guide. It seems to me the Fisher Library is the only place to access to it. I am now in Hyde Park. I will go to Fisher Lib tomorrow.

--- message truncated ---

Cheap Talk? [Check out](#) Yahoo! Messenger's low PC-to-Phone call rates.

1/21/2008

EXHIBIT B

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Attorneys for Defendant
XIAOBING SUN

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SHORELINE CAPTIAL MANAGEMENT,
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DECLARATION OF FENG LIN IN
SUPPORT OF DEFENDANT'S
OPPOSITION TO PLAINTIFF'S
MOTION FOR PRELIMINARY
INJUNCTION

I, Feng Lin, declare:

1. I have personal knowledge of the facts set forth herein, and if called as a witness would and could testify competently thereto.

2. I never saw Mr. Sun keep Shoreline's financial models, so-called #1233 portfolio loan documents (or any other loan documents), Excel spreadsheets, pricing templates, file-reading reports, copies of title papers related to the #1233 portfolio, Shoreline's so-called "business secrets", or due diligence results of portfolios under Shoreline's management in his laptop computer or anywhere else. To my knowledge, Mr. Sun never used Shoreline's name to

1 gain a meeting with anyone at Huarong Asset Management Company. I never stated that I
2 believe that Mr. Sun breached any non-compete or confidentiality agreements with Shoreline.

3 3. In December 2007, Xialolin Zhang and Linyu Yang called me and asked to meet
4 with me. When we met, Messrs. Zhang and Yang threatened that if I did not cooperate with
5 them in Shoreline's litigation against Mr. Sun, that I would be in legal trouble. They threatened
6 to spread rumors, and falsely tell my employer that I breached a contract with Shoreline and
7 stole Shoreline's trade secrets, unless I cooperated with them. Messrs. Zhang and Yang also
8 threatened to sue me if I did not cooperate with Shoreline in pursuing its litigation.

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10 I declare under penalty of perjury that the foregoing is true and correct. Executed on
11 January __, 2007 in Guangzhou, China.

12 _____
FENG LIN
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EXHIBIT C

Charles Jung

From: lax006 [lax006@mail.airchina.com.cn]
Sent: Thursday, January 17, 2008 10:53 AM
To: xiaobing_sun@yahoo.com
Subject: Air China

****ELECTRONIC TICKET PNR****

001 LAX001 361 1731 02JAN08 IK
1.SUN/XIAOBING(001) H0R4J
001 2. CA986 H MO21JAN SFOPEK HK1 1350 1800+1 E
NN(001) HK(001)
001 3.510-791-2196
001 4.T/9994477802377
001 5.SSR TKNE CA HK1 SFOPEK 986 H21JAN 9994477802377/3/P1
HK(001)
001 6.SSR OTHS CA PAX HLDN OPEN RTN TKT
001 7.LAX001

DETR:TN9994477802377
ISSUED BY: AIR CHINA ORG/DST: CAN/CAN ARL-I
E/R: NON-END/RER/REF800CNY/*HX72
TOUR CODE:
PASSENGER: SUN/XIAOBING
EXCH: CONJ TKT:
O FM:1CAN CA 1330 S 16NOV 0925 OK HLXEE6M /29MAR8 2PC USED/FLOWN
RL:F5TZH / BG:1/18K
O TO:2PEK CA 985 H 19NOV 1605 OK HLXEE6M /29MAR8 2PC USED/FLOWN
RT:F5TZH / BG:1/23K
O TO:3SFO CA 986 H 21JAN 1350 OK HLXEE6M /16MAY8 2PC OPEN FOR USE
RT:H0R4J /
O TO:4PEK CA OPEN S OPEN HLXEE6M /16MAY8 2PC OPEN FOR USE
RL:
TO: CAN

Let me know any questions you have.

Best Regards
Air China
Los Angeles Office

1/17/2008